

Message Text

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14

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 USIA-15 PRS-01 IO-14 NEA-10

DRC-01 /193 W

----- 006545

R 171550Z OCT 73

FM AMCONSUL ZURICH

TO SECSTATE WASHDC 1726

INFO AMEMBASSY LONDON

AMEMBASSY BERN

C O N F I D E N T I A L ZURICH 0786

E.O. 11652: GDS

TAGS: EFIN, XF, XG

SUBJECT: REPORTED ARAB DOLLAR SALES

1. DURING LUNCHEON GIVEN BY AMBASSADOR DAVIS ON OCTOBER 17, CONVERSATION TURNED TO REPORTS FROM LONDON OF LARGE SCALE ARAB SALES OF DOLLARS IN RECENT DAYS.

2. A SENIOR DIRECTOR OF ONE OF THE BIG THREE SWISS BANKS STATED THAT HE DID NOT DOUBT SUCH REPORTS AND, IN FACT, THAT QUOTE SUBSTANTIAL UNQUOTE SALES OF DOLLARS HAVE ALSO BEEN MADE RECENTLY BY ARAB CUSTOMERS

IN ZURICH. FEAR OF IMPOUNDMENT OR BLOCKING OF ARAB ASSETS BY USG IS MAIN REASON FOR MOVE AWAY FROM DOLLAR.

3. SOURCE INDICATED THAT HE IS UNAWARE OF ANY CONCERTED EFFORT BY ARABS TO LIQUIDATE DOLLAR HOLDINGS ALREADY INVESTED, BUT THAT NEW DOLLAR RECEIPTS ARE BEING CONVERTED IMMEDIATELY UPON ACQUISITION. DOLLARS SOLD HERE HAVE MAINLY GONE INTO STERLING WITH SOME ALSO BEING USED TO PURCHASE GOLD.

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4. SEVERAL GUESTS INDICATED THAT ARAB MOVE OUT OF DOLLAR WOULD PROBABLY

BE CONSIDERABLY GREATER IF THERE WERE CURRENTLY A GOOD ALTERNATIVE AVAILABLE. EXCHANGE CONTROLS ON STRONG EUROPEAN CURRENCIES RULE OUT MOVEMENT IN THIS DIRECTION, HOWEVER. SEVERAL GUESTS COMMENTED

THAT ARAB PURCHASES ARE ARTIFICIALLY STRENGTHENING STERLING AND THAT ARAB BUYERS ARE RUNNING A STRONG RISK OF TAKING A BEATING IN STERLING.

5. SOURCE STATED THAT ANOTHER ALTERNATIVE OPEN TO ARABS MIGHT BE TO USE DOLLARS FOR DIRECT PURCHASES OF GOLD FROM SOVIET UNION. HE INDICA-

TED, HOWEVER, THAT HE HAD NO KNOWLEDGE OF WHETHER THIS WAS ACTUALLY OCCURRING.

NELSON

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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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US Department of State
EO Systematic Review
30 JUN 2005

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